

**DeSoto Parish Sales and Use Tax Commission
Mansfield, Louisiana**

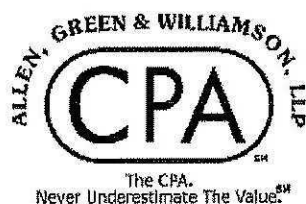
**Annual Financial Report
For the Year Ended June 30, 2011**

**DeSoto Parish Sales and Use Tax Commission
Mansfield, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2011**

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Independent Auditors' Report

Board Members

DeSoto Parish Sales and Use Tax Commission
Mansfield, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the DeSoto Parish Sales and Use Tax Commission, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeSoto Parish Sales and Use Tax Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2011, and the respective changes in financial position and budgetary comparison schedule thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
December 30, 2011

REQUIRED SUPPLEMENTAL INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

DeSoto Parish Sales and Use Tax Commission
Management's Discussion and Analysis
June 30, 2011

Our discussion and analysis of the DeSoto Parish Sales and Use Tax Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2011.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS Our government-wide financial statements provide these insights into the results of this year's operations:

The assets of the DeSoto Parish Sales and Use Tax Commission exceeded its liabilities at the close of the most recent fiscal year by \$429,721 (net assets). Of this amount, \$113,101 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the unrestricted net assets of the DeSoto Parish Sales and Use Tax Commission were \$113,101 or 20.5% of total operating expenses for the fiscal year.

The DeSoto Parish Sales and Use Tax Commission revenue received from charges for services for the year ended June 30, 2011 was \$555,744, this is an increase of \$11,062 from the revenue received from charges for services of \$544,682 in 2010. This was mainly due to an increase in total tax collections as a result of the increase in oil and gas activity within the parish.

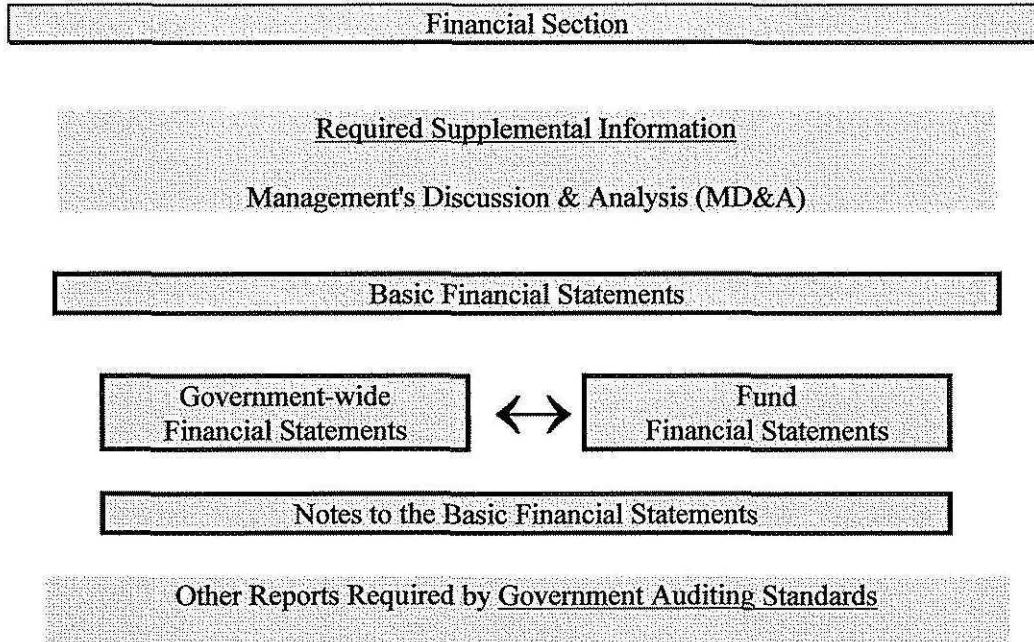
The DeSoto Parish Sales and Use Tax Commission total expenses for the year ended June 30, 2011 was \$551,372, this is an increase of \$39,836 from the expenses of \$511,536 in 2010. This increase of expenses was mainly due to an increase in board approved salary raises.

USING THIS ANNUAL REPORT

The DeSoto Parish Sales and Use Tax Commission's annual report consists of a series of financial statements that show information for the DeSoto Parish Sales and Use Tax Commission as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the DeSoto Parish Sales and Use Tax Commission as a whole and present a longer-term view of the DeSoto Parish Sales and Use Tax Commission's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the DeSoto Parish Sales and Use Tax Commission's overall financial health. Fund financial statements also report the DeSoto Parish Sales and Use Tax Commission's operations in more detail than the governmental-wide financial statements by providing information about the DeSoto Parish Sales and Use Tax Commission's General Fund.

DeSoto Parish Sales and Use Tax Commission
Management's Discussion and Analysis
June 30, 2011

The following chart reflects the information included in this annual report.



Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, the Supplemental Information, and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the DeSoto Parish Sales and Use Tax Commission as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the DeSoto Parish Sales and Use Tax Commission as a whole begins with the government-wide financial statements. One of the most important questions asked about the DeSoto Parish Sales and Tax Commission's finances is, "Is the DeSoto Parish Sales and Use Tax Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the DeSoto Parish Sales and Use Tax Commission's financial statements, report information about the DeSoto Parish Sales and Use Tax as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

DeSoto Parish Sales and Use Tax Commission
Management's Discussion and Analysis
June 30, 2011

These two statements report the DeSoto Parish Sales and Use Tax Commission's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the DeSoto Parish Sales and Use Tax Commission's financial health, or financial position. Over time, increases or decreases in the DeSoto Parish Sales and Use Tax Commission's net assets as reported in the Statement of Activities are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the DeSoto Parish Sales and Use Tax Commission's operating results. However, the DeSoto Parish Sales and Use Tax Commission's goal is to increase sales tax collections and decrease operating expense.

In the Statement of Net Assets and the Statement of Activities, the DeSoto Parish Sales and Use Tax Commission's activities are shown as:

Governmental Activities - All of the DeSoto Parish Sales and Use Tax Commission's basic services are reported here, including salaries and contract labor, employee benefits, professional fees, operations and maintenance, repairs and upkeep, and administrative expenses. Sales tax collection fee revenue finances these activities.

Reporting the DeSoto Parish Sales and Use Tax Commission's Most Significant Funds

Fund Financial Statements

The DeSoto Parish Sales and Use Tax Commission report all of its activity in one governmental fund which uses the following approach:

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the DeSoto Parish Sales and Use Tax Commission's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the DeSoto Parish Sales and Use Tax Commission's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

DeSoto Parish Sales and Use Tax Commission
Management's Discussion and Analysis
June 30, 2011

THE DESOTO PARISH SALES AND USE TAX COMMISSION AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Commission's governmental activities.

Table 1
Net Assets
For the Years Ended June 30

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
ASSETS			
Cash and cash equivalents	\$ 128,101	\$ 107,708	\$20,393
Prepaid Expenses	1,025	1,025	-
Capital assets (net of accumulated depreciation)	316,620	330,249	(13,629)
Total Assets	<u>445,746</u>	<u>438,982</u>	<u>6,764</u>
 LIABILITIES			
Compensated absences payable	16,025	13,779	2,246
Total Liabilities	<u>16,025</u>	<u>13,779</u>	<u>2,246</u>
 NET ASSETS			
Invested in capital assets, net of related debt	316,620	330,249	(13,629)
Unrestricted	113,101	94,954	18,147
 Total Net Assets	<u>\$ 429,721</u>	<u>\$ 425,203</u>	<u>\$ 4,518</u>

Net assets of the DeSoto Parish Sales and Use Tax Commission governmental activities for June 30, 2011 were \$429,721. Unrestricted net assets that are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$113,101.

DeSoto Parish Sales and Use Tax Commission
Management's Discussion and Analysis
June 30, 2011

Table 2
Changes in Net Assets
For the Years Ended June 30

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Program revenues:			
Fees, charges, and commissions for services	\$ 555,744	\$ 544,682	\$ 11,062
General revenues - Interest earned	<u>146</u>	<u>219</u>	<u>(73)</u>
Total Revenues	555,890	544,901	10,989
Finance and administrative:			
Personnel services and related benefits	459,066	394,058	65,008
Operating services	58,986	79,522	(20,536)
Materials and supplies	5,753	9,179	(3,426)
Travel	10,183	11,010	(827)
Depreciation expense	<u>17,384</u>	<u>17,767</u>	<u>(383)</u>
Total Program Expenses	551,372	511,536	39,836
Change in Net Assets	4,518	33,365	(28,847)
Net Assets - Beginning of year	<u>425,203</u>	<u>391,838</u>	<u>33,365</u>
Net Assets - End of year	<u>\$ 429,721</u>	<u>\$ 425,203</u>	<u>\$ 4,518</u>

Governmental Activities

The cost of all governmental activities this year was \$551,372.

THE DESOTO PARISH SALES AND USE TAX COMMISSION'S FUNDS

As the DeSoto Parish Sales and Use Tax Commission completed the year, its governmental funds reported a fund balance of \$129,126, which increased \$20,393 from prior year. The charges for services increased \$11,062 due to an increase in total sales taxes collected. In addition, total expenditures increased \$39,836 due to an increase in employee salaries and related benefits.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$94,200. This favorable variance was due to an increase in the total tax collections for the year ended June 30, 2011.

Budgeted expenditures exceeded actual expenditures by \$11,852. This favorable variance was due to funds not needed for current litigation for the year ended June 30, 2011.

The budgeted revenues increased \$67,584 due to an increase in total tax collections for the year ended June 30, 2011.

DeSoto Parish Sales and Use Tax Commission
Management's Discussion and Analysis
June 30, 2011

CAPITAL ASSET

Capital Assets

At June 30, 2011, the DeSoto Parish Sales and Use Tax Commission had \$316,620 invested in capital assets, including equipment, and furniture and fixtures. This amount represents a net decrease (including additions, deductions, and depreciation) of \$13,629 or 4.1%, from last year.

Capital Assets at Year-end

	2011	2010	Variance
Building	\$389,607	\$389,607	\$ -
Equipment and furniture	113,616	111,216	2,400
Total	503,223	500,823	2,400
Less Accumulated Depreciation	186,603	170,574	16,029
Net Capital Assets	<u>\$316,620</u>	<u>\$330,249</u>	<u>\$ (13,629)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the DeSoto Parish Sales and Use Tax Commission's budget and tax rates. One of the most important factors affecting the budget is sales tax collections. 99% of our total revenues are from collection fees charged to collect the tax. We have budgeted 11.3% change in revenue and expenditures for the year ending June 30, 2012.

CONTACTING THE SALES AND USE TAX COMMISSION'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Sales and Use Tax Commission's finances and to show the Sales and Use Tax Commission's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mr. Chris Robinette, Administrator, P. O. Box 927, Mansfield, LA 71052 or at (318) 872-3343.

**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

DESOTO PARISH SALES & USE TAX COMMISSION

STATEMENT OF NET ASSETS
June 30, 2011

Statement A

GOVERNMENTAL
ACTIVITIES

ASSETS

Cash	\$ 128,101
Prepaid expenses	1,025
Capital assets, net of accumulated depreciation	<u>316,620</u>

TOTAL ASSETS	<u>445,746</u>
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LIABILITIES

Compensated absences payable	
Payable within one year	<u>16,025</u>

TOTAL LIABILITIES	<u>16,025</u>
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NET ASSETS

Invested in capital assets, net of related debt	316,620
Unrestricted	<u>113,101</u>

TOTAL NET ASSETS	<u>\$ 429,721</u>
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

DESOTO PARISH SALES & USE TAX COMMISSION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Statement B

	<u>GOVERNMENTAL ACTIVITIES</u>
EXPENSES	
Sales Tax Collections:	
Personnel services and related benefits	\$ 459,066
Operating services	58,986
Materials and supplies	5,753
Travel expense	10,183
Depreciation	<u>17,384</u>
TOTAL PROGRAM EXPENSES	<u>551,372</u>
PROGRAM REVENUES	
Charges for services	<u>555,744</u>
NET PROGRAM EXPENSE	<u>4,372</u>
GENERAL REVENUES	
Interest earned	<u>146</u>
TOTAL GENERAL REVENUES	<u>146</u>
INCREASE (DECREASE) IN NET ASSETS	4,518
NET ASSETS - BEGINNING OF YEAR	<u>425,203</u>
NET ASSETS - END OF YEAR	<u>\$ 429,721</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

FUND FINANCIAL STATEMENTS

DESOTO PARISH SALES & USE TAX COMMISSION

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

Statement C

ASSETS

Cash - Capital account	\$ 128,101
Prepaid expenses	<u>1,025</u>

TOTAL ASSETS	<u>129,126</u>
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LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	<u>0</u>
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TOTAL LIABILITIES	<u>0</u>
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Fund balances:

Non-spendable	1,025
Committed	23,211
Unassigned	<u>104,890</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 129,126</u>
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

DESOTO PARISH SALES & USE TAX COMMISSION

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2011

Statement D

Total fund balances - governmental funds \$ 129,126

The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	503,223	
Depreciation expense to date	<u>(186,603)</u>	
		316,620

Long-term liabilities applicable to the Sales and Use Tax Commission's governmental are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2011 are:

Compensated absences payable	<u>(16,025)</u>
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Net Assets	\$ <u>429,721</u>
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

DESOTO PARISH SALES & USE TAX COMMISSION

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended June 30, 2011

Statement E

REVENUES

Local sources:

Collection fees	\$ 555,744
Interest earned	<u>146</u>

TOTAL REVENUES	<u>555,890</u>
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EXPENDITURES

Current:

Personnel services and related benefits	456,820
Operating services	58,986
Materials and supplies	5,753
Travel expense	10,183
Capital outlay	<u>3,755</u>

TOTAL EXPENDITURES	<u>535,497</u>
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Net Change in Fund Balances	20,393
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FUND BALANCE - BEGINNING OF YEAR	<u>108,733</u>
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FUND BALANCE - END OF YEAR	<u>\$ 129,126</u>
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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

DESOTO PARISH SALES & USE TAX COMMISSION

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2011

Statement F

Total net change in fund balances - governmental funds \$ 20,393

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlay additions	3,755	
Depreciation	(17,384)	(13,629)

In the Statement of Activities, certain operating expenses-compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation time earned (\$17,692) exceeded the amounts used (\$15,446) by \$2,246.

(2,246)

Change in net assets of governmental activities.

\$ 4,518

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

DESOTO PARISH SALES & USE TAX COMMISSION

**GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

Statement G

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
Resources (inflows)				
Local sources:				
Collection fees	\$ 393,956	\$ 461,540	\$ 555,744	\$ 94,204
Interest earned	150	150	146	(4)
Amounts available for appropriations	394,106	461,690	555,890	94,200
Charges to appropriations (outflows)				
General government:				
Personnel services and related benefits	377,365	451,462	456,820	(5,358)
Operating services	79,150	71,932	58,986	12,946
Materials and supplies	9,700	8,700	5,753	2,947
Travel expense	10,900	11,500	10,183	1,317
Capital outlay	2,650	3,755	3,755	0
Total charges to appropriations	479,765	547,349	535,497	11,852
Changes in Fund Balances	(85,659)	(85,659)	20,393	106,052
BUDGETARY FUND BALANCE, BEGINNING	85,659	85,659	108,733	(194,392)
BUDGETARY FUND BALANCE, ENDING	\$ 0	\$ 0	\$ 129,126	\$ 129,126

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

DESOTO PARISH SALES & USE TAX COMMISSION
FIDUCIARY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2011

Statement H

	<u>AGENCY FUND</u>
ASSETS	
Cash	\$ 3,792,255
Sales tax receivable, net of allowance of \$0	<u>12,041,978</u>
Total assets	<u>15,834,233</u>
LIABILITIES	
Deposits due others	<u>15,834,233</u>
Total liabilities	<u>\$ 15,834,233</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

DeSoto Parish Sales and Use Tax Commission
Notes to the Financial Statements
June 30, 2011

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DeSoto Parish Sales and Use Tax Commission
Notes to the Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES As provided by Article VII, Section 3 of the Louisiana Constitution of 1974, the DeSoto Parish Sales and Use Tax Commission serves as the collector of sales and use taxes for the parish. The commission is comprised of five members, two each selected from the DeSoto Parish School Board and the DeSoto Parish Police Jury and one selected from the City of Mansfield, in accordance with a joint agreement of the agencies. The commissioners serve for indefinite terms and without benefit of compensation. The accompanying financial statements of the DeSoto Parish Sales and Use Tax Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The DeSoto Parish Sales and Use Tax Commission was created as a political subdivision of the state under the provisions of Article VII, Section 3, of the Louisiana Constitution of 1974. Commission board members are appointed by taxing authorities imposing sales taxes within the parish and are solely accountable for fiscal matters, which include fiscal management for controlling the collection and disbursement of funds. Additionally, the commission is the collector for all sales and use and occupancy taxes within the parish. Based on the above, the commission was determined to be a separate governmental reporting entity. The commission includes all funds that are within the primary responsibility of the commission. Certain units of local government over which the commission exercises no primary responsibility, such as the DeSoto Parish Police Jury, School Board, Assessor, Clerk of Court, and municipalities within the parish, are excluded from the accompanying financial statements. These units of local government are governed by independently elected officials. They are neither controllable by nor answerable to the DeSoto Parish Sales and Use Tax Commission. Further, their operations do not require the approval of the commission nor is the commission legally or morally responsible for their actions. They are considered separate reporting entities and issue financial statements separate from those of the DeSoto Parish Sales and Use Tax Commission.

B. FUNDS The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds of the Commission are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund and a description of each existing fund type follow:

Governmental Funds Governmental funds are used to account for the Commission's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition of capital assets, and the servicing of long-term debt. Governmental funds include:

General fund - the primary operating fund of the Commission. It accounts for all financial resources of the Commission, except those accounted for in another fund.

Fiduciary Funds Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Commission.

DeSoto Parish Sales and Use Tax Commission
Notes to the Financial Statements
June 30, 2011

Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity. The agency fund is as follows:

Sales tax collection agency fund - accounts for sales tax monies collected on behalf of other taxing authorities within the parish.

Occupancy tax collection agency fund - accounts for occupancy tax monies collected on behalf of other taxing authorities within the parish.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions." Fiduciary funds are not included in the government-wide financial statements.

Program revenues Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Commission's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Commission's general revenues.

Allocation of indirect expenses The Commission reports all direct expenses by object in the Statement of Activities. Direct expenses are those that are clearly identifiable with an object. Depreciation expense is considered an indirect expense and is reported separately on the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted resources first, then restricted as needed.

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

DeSoto Parish Sales and Use Tax Commission
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With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Fees for the collection of sales and use taxes are recorded when the commission is entitled to the funds which are when the taxes are collected.

Fees for the collection of occupancy taxes are recorded when the commission is entitled to the funds which are when the taxes are collected.

Interest income is recorded monthly as interest is earned.

Other receipts become measurable and available when cash is received by the Commission and are recognized as revenue at that time.

Expenditures

Salaries are recorded as earned.

Other Financing Sources (Uses) Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Fiduciary Funds The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting.

D. BUDGETS

General Budget Policies The Commission follows these procedures in establishing the budgetary data reflected in the combined financial statements:

During March and April the administrator prepares a preliminary budget for presentation to the commission. In accordance with adopted policies of the commission, the budget document must include the following:

1. A budget message, signed by the administrator, which includes a summary description of the most important features and objectives of the budget.
2. A budget summary listing.
3. A proposed budget adoption resolution for the city, school board, and police jury.

The commission then reviews the proposed budget, makes any changes it deems appropriate, and approves the budget for submission to the taxing bodies on or before May 1. The city, school board, and police jury, no later than June 15, approve or reject the budget.

During the year, the administrator is authorized, subject to approval of the commission, to make changes within budget classifications as he may deem appropriate. However, any reallocation of budgeted amounts in excess of 5% of total revenues, total expenditures, and/or beginning fund balance, must be approved in advance by the city, school board, and police jury.

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Appropriations lapse at year-end and must be reappropriated for the following year to be expended. Budgeted amounts included in the accompanying financial statements include the original budget amounts and any subsequent amendments.

Formal budget integration (within the accounting records) is not employed. Budget amounts included in the accompanying financial statements include the original and amended adopted budget.

Encumbrances Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded.

E. DEPOSITS Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. CAPITAL ASSETS Capital assets are recorded at cost or estimated historical cost if purchased or constructed and depreciated over their estimated useful lives. The capitalization threshold is \$100. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used, based on the following estimated useful lives:

Buildings	40 years
Furniture and Equipment	5-12 years

G. COMPENSATED ABSENCES All employees earn from 10 to 20 days vacation leave each year depending on length of service. Unused vacation leave may be carried forward to the succeeding year up to a maximum of 60 days and is paid to employees upon separation from service. All employees receive one day of sick leave per month. Sick leave may be accumulated, however upon separation from service, all unused sick leave is forfeited.

H. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. FUND EQUITY OF FUND FINANCIAL STATEMENTS:

The Commission adopted GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

Non-spendable: Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

DeSoto Parish Sales and Use Tax Commission
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Committed: Fund balance that can only be used for specific purposes determined by the Commission's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the Commission or motions were passed at a Commission meeting committing the funds. The motions passed are usually the result of budget revisions.

Assigned: Fund balance that is constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board.

Unassigned: Fund balance that is the residual classification for the general fund.

The Commission reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 2 - DEPOSITS Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At year-end, the Commission's carrying amount of deposits was \$3,920,356 and the bank balance was \$3,921,894.

These deposits are reported as follows: Statement A-cash and cash equivalents, \$128,101; Statement H-cash and cash equivalents, \$3,792,255. Of the bank balance, \$250,000 was collateralized with FDIC Insurance. The balance of \$3,671,894 was collateralized by pledged securities. Even though the pledged securities are considered uncollateralized Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

Interest rate risk: The Commission's policy does not address interest rate risk.

Custodial credit risk: The Commission's policy does not address custodial credit risk.

NOTE 3 - CAPITAL ASSETS The changes in capital assets follow:

	Balance Beginning	Additions	Deletions	Balance Ending
Governmental activities:				
Building	\$ 389,607	\$ -	\$ -	\$ 389,607
Furniture and equipment	111,216	3,755	1,355	113,616
Total	500,823	3,755	1,355	503,223
Less accumulated depreciation:	170,574	17,384	1,355	186,603
Capital assets, net	<u>\$ 330,249</u>	<u>\$ (13,629)</u>	<u>\$ -</u>	<u>\$ 316,620</u>

DeSoto Parish Sales and Use Tax Commission
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NOTE 4 - RETIREMENT SYSTEMS All Commission employees participate in the Teachers' Retirement System of Louisiana, which is a cost-sharing, multiple-employer public employee retirement system (PERS). Benefit provisions are ultimately approved and amended by the Louisiana Legislature. Pertinent information relative to the plan is as follows:

Teachers' Retirement System

Plan description Participation in the Teachers' Retirement System is divided into two plans - the Teachers' Regular Plan and the Teachers' Plan A. All Commission employees participate in the Teachers' Regular Plan. Generally, all full-time employees are eligible to participate in the system.

With respect to the Teachers' Retirement System Regular Plan, normal retirement is at age 60 with ten years of service, or at any age with 20 years of service. The formula for annual maximum retirement benefits is generally two percent (with less than 25 years of service) or 2.5 percent (with 25 or more years of service) times the years of creditable service times the average salary of the 36 highest successive months (plus \$300 applicable to persons becoming members prior to July 1, 1986).

TRS issues an annual financial report. The report can be obtained by telephoning or writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana, 70804-9123, (225) 925-6446.

Funding Policy The system is administered and controlled at the state level by a separate board of trustees, with contribution rates approved and amended by the Louisiana Legislature. Benefits of the systems are funded by employee and employer contributions. Benefits granted by the retirement systems are guaranteed by the state of Louisiana under provisions of the Louisiana Constitution of 1974. The Commission's employer contribution for the TRS, as provided by state law, is funded by the state of Louisiana through annual appropriations and by remittances from the Commission.

Contribution rates (as a percentage of covered salaries) for active plan members as established by the Louisiana Legislature for the year ended June 30, 2011, are as follows:

	<u>Employee</u>	<u>Employer</u>
Louisiana Teachers' Retirement System, Regular	<u>8.00%</u>	<u>20.2%</u>

Total covered payroll of the Commission for TRS - Regular Plan for the year ended June 30, 2011, amounted to \$327,803. Employer contributions for the past three years are as follows:

<u>Fiscal Years Ended</u>	
June 30, 2011	\$66,304
June 30, 2010	45,571
June 30, 2009	40,485

The Commission made 100% of the annual actuarially required contributions.

NOTE 5 - COMPENSATED ABSENCES At June 30, 2011, employees of the Commission have accumulated and vested \$16,025 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

DeSoto Parish Sales and Use Tax Commission
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NOTE 6 - AGENCY FUND DEPOSITS DUE OTHERS A summary of changes in agency fund deposits due others follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Sales tax collection	\$14,921,833	\$120,938,522	\$120,026,122	\$15,834,233
Occupancy tax collection	-	21,496	21,496	-
Total	<u>\$14,921,833</u>	<u>\$120,960,018</u>	<u>\$120,047,618</u>	<u>\$15,834,233</u>

NOTE 7 - LONG-TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended June 30, 2011:

	Compensated Absences
Balance, beginning of year	\$ 13,779
Additions	17,692
Deductions	15,446
Balance, end of year	<u>\$ 16,025</u>
 Due within one year	 <u>\$ 16,025</u>

NOTE 8 - RISK MANAGEMENT The sales tax commission is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the commission maintains commercial insurance policies covering; automobile liability, medical payments, uninsured motorist, and collision; business liability; property coverage; workers compensation; and surety bond coverage. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. In addition to the above policies, the commission also maintains an errors and omissions claims paid policy.

NOTE 9 - LITIGATION AND CLAIMS

Litigation At June 30, 2011, the Commission is involved in two different litigations regarding taxes paid under protest. The company alleges that it paid taxes that were not due on certain chemicals used in the manufacturing process at its plant in DeSoto Parish. These funds have been placed in an escrow account. A liability of \$3,783,085 for taxes paid under protest is included in the deposits due others in the agency fund. After the close of the fiscal year, both parties agreed that the two litigations for taxes paid under protest were found to be in favor of the company.

The commission is currently working on determining the refund amount for taxes paid under protest and is planning to resolve the litigation by December 31, 2011.

After the close of the fiscal year ended June 30, 2011, the Commission received taxes from two companies that were collecting sales tax from their customers for chemicals used in the oil manufacturing process. The customers are requesting the amount of taxes they paid to the companies be paid under protest alleging that the sales taxes were not due on certain chemicals used in the manufacturing process at their site locations in DeSoto Parish. Legal counsel for the Commission is currently reviewing the claims brought forth by the customers.

DeSoto Parish Sales and Use Tax Commission
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NOTE 10 - SUBSEQUENT EVENTS The Commission's board adopted a new policy after fiscal year ended June 30, 2011, which was titled other retirement benefits. The policy notates the benefits an employee is eligible to receive for health care and related benefits, once the employee is eligible for retirement and is based on the years of service with the Commission.

NOTE 11 - SALES TAX COLLECTION FUND PAYMENTS The following is a summary of the collections and payments made to local governmental entities for sales tax collections during the year ended June 30, 2011:

BALANCE, Beginning	\$ 14,921,833
<u>Receipts:</u>	
Sales Tax Collections	120,938,522
<u>Disbursements:</u>	
DeSoto Parish School Board	72,757,851
DeSoto Parish Police Jury	29,103,716
DeSoto Parish Law Enforcement District	14,551,222
City of Mansfield	2,543,632
Town of Logansport	275,838
Village of South Mansfield	176,516
Town of Stonewall	284,863
Village of Grand Cane	230,139
Town of Keachi	102,345
Total Disbursements	<u>120,026,122</u>
BALANCE, Ending	<u>\$ 15,834,233</u>

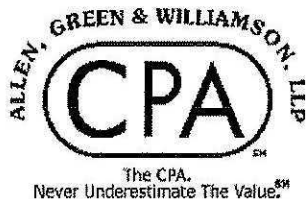
NOTE 12 - OCCUPANCY TAX COLLECTION FUND PAYMENTS The following is a summary of the collections and payments made to local governmental entities for occupancy tax collections during the year ended June 30, 2011:

<u>Receipts:</u>	
Occupancy Tax Collections	\$ 21,496
<u>Disbursements:</u>	
City of Mansfield	\$ 21,359
Collection Fee	137
Total Disbursements	<u>\$ 21,496</u>

DeSoto Parish Sales and Use Tax Commission
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NOTE 13 - FUND BALANCE CLASSIFICATION DETAILS: The following are details of the fund balance classifications.

Non spendable:	General
Prepaid items	\$ 1,025
Committed to:	
Sick and annual leave pay	<u>23,211</u>
Total	<u>\$ 24,236</u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members

DeSoto Parish Sales and Use Tax Commission
Mansfield, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the DeSoto Parish Sales and Use Tax Commission, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon, dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the DeSoto Parish Sales and Use Tax Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
December 30, 2011